

Reaction paper 5

Literature, Russian Literature



Reaction paper 5 Reaction paper 5 There are several arguments for using gold as a currency. First, the currency is viewed as of the essence in the international market. For example, the currency will help in citing market expectations concerning inflation, deflation, and future currency values (Alan, Javier & Robin, 2010). Secondly, policy makers consider a single currency as detrimental. For example, relying on a single currency such as dollar would be dangerous for an economy that needs to borrow heavily from abroad (Alan, Javier & Robin, 2010).

Moreover, there has been declining confidence in the paper money.

Therefore, an alternative currency will help in restoring the confidence based on the dramatic rise in the price of gold. Additionally, the essence of gold is that no one can make more of it than what already is in the ground (Alan, Javier & Robin, 2010). As a result, this will help curb inflation. Another advantage of gold as a currency is in helping policymakers using it as a measure of investor's concern about the fate of other currencies. Moreover, there has been increased investment in gold by new investors than before, and this has made it easier to buy and sell bullion (Alan, Javier & Robin, 2010). In addition, the gold as a currency has shown that it is not easy to be debased.

On the other hand, there are arguments against the use of gold as a currency. The argument is that alternative currency will still have its own problems. For example, the Eurozone has fractured bond market while there is also no free trade on China's renminbi (Alan, Javier & Robin, 2010). The other argument is that gold currency is prone to deflation based on its continuous rise in price. Consequently, such a high rise does not help in

predicting a rise in the price of other commodities.

Reference

Alan, B., Javier, B & Robin, H. (2010). In Gold they Rush. Retrieved from <http://search.proquest.com/docview/763681276?accountid=14677>